

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP - WEDNESDAY, 19 SEPTEMBER 2018

Title of report	AN UPDATE ON THE PROCUREMENT PROCESS FOR THE SPORT AND LEISURE PROJECT
Key Decision	a) Financial No b) Community No
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Purpose of report	To update members on the latest procurement position to secure an operator to manage and invest in leisure centre provision in Coalville and Ashby including the construction of a new Coalville Leisure Centre and invest in Hood Park.
Reason for decision	To ensure that members are informed about the progress being made on this highly confidential procurement exercise involving four bidding organisations.
Council priorities	Bidders have responded directly to how they would meet the Council's priorities through 17 Method Statements as well as responding to specific questions posed by the all member briefing held on 3rd April 2018 . Most notable contributions are made to: Value for Money, Business and Jobs, Homes and Communities and Green Footprints Challenge.
Implications:	
Financial/Staff	The financial implications are outlined within the presentation at the meeting but clearly reflecting the confidential nature of the continuing competitive dialogue process.
Link to relevant CAT	None
Risk Management	A detailed risk register is being actively managed and is available on request

Equalities Impact Screening	Equality of opportunity is a key consideration of both building design as well as the programming of activities to meet a number of target group's needs. There will also be a "Changing Place" facility within the new Coalville centre which is funded by Leicestershire County Council. An EIA will be completed at the preferred bidder stage
Human Rights	None discernible
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Councillors, staff and key users
Background papers	<ul style="list-style-type: none"> • Cabinet Report: "Sport and Leisure Project" dated 1/11/17 (Confidential) • Council Report: Leisure Services Project" dated 21/11/17
Recommendations	<p>THAT POLICY DEVELOPMENT GROUP:</p> <ol style="list-style-type: none"> 1. NOTES THE PROGRESS MADE TO DATE IN THE PROCUREMENT PROCESS IN ORDER TO SECURE A LEISURE PARTNER 2. NOTES THE NEXT STAGE OF PROCUREMENT AND THAT THE SHORTLISTED BIDDERS AS OUTLINED WITHIN ANNEX A HAVE BEEN INVITED TO SUBMIT FINAL TENDERS

1.0 BACKGROUND

- 1.1 Cabinet, at its meeting on 1st November 2017 gave approval for the management and operation of Hood Park Leisure Centre and Hermitage Leisure Centre (including the design and construction of a new Coalville Leisure Centre) to be market tested.

SUPPLIER SELECTION STAGE: EXPRESSION OF INTEREST

- 1.2 Following the agreed Sport England procurement template and best practice toolkit for the procurement of a Design, Build, Operate and Maintain contract (DBOM), the opportunity was published across Europe through the Official Journal of the European Union (OJEU). Bidders were invited to submit a Supplier Selection Questionnaire SSQ (or an expression

of interest) setting out their suitability to be considered to progress to the next stage of procurement.

- 1.3 The SSQ set out the minimum standards required by the council across a range of considerations including economic and financial standings, organisational type, technical and professional ability, insurance, approaches to skills and apprentices, health and safety, environmental management and equality and diversity.
- 1.4 All members were provided with an update on the SSQ stage of procurement through a members drop in session held on **5th February 2018** between 9am and 6pm. Various draft documents were available for members and queries could be dealt with. The key documents included:
- A Descriptive Document that sets out what the council is seeking to achieve with the project
 - A draft Technical Specification, which sets out the minimum standards required in terms of the new build leisure centre
 - A draft Facilities Requirements Specification that sets out the standards that meet best practice in terms of design including Sport England and building regulations standards for the new centre
 - A draft Design, Build, Operate and Maintain Contract that would bring together the project as one legal arrangement with the council
 - A draft Services Specification with minimum performance, service and facility standards
 - A range of background information

Members subsequently received a further update through the members' bulletin on 9th February 2018.

- 1.5 Four bidders submitted fully compliant SSQ's by the required deadline of **23rd February** representing a strong and experienced portfolio of operators who operate on a national level but also who all operate leisure facilities on behalf of a number of local authorities in Leicestershire (Charnwood has Fusion Leisure as their partner):

Hinkley & Bosworth Borough	Places Leisure
Melton Borough	SLM
Harborough District	Serco
Blaby District	SLM
Oadby and Wigston	SLM
Broughton Astley Parish (also Rushcliffe Borough Council)	Parkwood Leisure (Contract signature late August 2018)

- 1.6 All members received a presentation on **3rd April 2018** setting out the results of the SSQ stage of procurement with detailed highlights provided in terms of the bidder's profiles against the required pass standards. Members also set out their required health, social and community outcomes which the bidders would be required to respond to at the next stage of procurement. The 7 outcomes were:

- Improved health and wellbeing outcomes(emerging strategy)

- Increased participation levels and opening hours
- Social Value
- Innovative and balanced programmes of use
- Pricing, user protection and free use
- User and stakeholder meetings
- What kind of investments required and the design of the new centre

The presentation and outcomes required were provided to members through the councillor bulletin on **11th May 2018**.

- 1.7 The four bidders were all informed that they had passed the SSQ and they were asked to then start to develop their detailed solution bids for a submission date of 20th June 2018.

2 DETAILED SOLUTION BIDS

- 2.1 In the development of their bids a number of confidential dialogue meetings and site visits were held in June and July with each bidder where clarifications, questions, issues and outcomes were discussed. Over 288 clarification questions were responded to by officers through the councils' online tender portal up until **6th July 2018**.

- 2.2 Operators requested a further month to develop their solutions and the submission date was adjusted to **20th July** at which date 4 bids were submitted.

- 2.3 The Project Team, consisting of officers representing legal, property, human resources, finance, leisure, planning, urban design, procurement, Opun (Design East Midlands) and Leicester – Shire and Rutland Sport carried out a detailed assessment of the bids submitted.

- 2.4 The tender package was based upon a 50:50 Quality: Price split. The following key areas were the basis of the specification and evaluation:

- Services (e.g. deliverability/added value/customer service)
- Technical (e.g. the capital build and investment plan)
- Commercial (e.g. price, commercial terms and contract)

These are underpinned by a range of detailed criteria within a “weighting” framework for each of the areas as follows:

Tier 1	Tier 1 Weighting	Tier 2	Tier 2 Weighting	Tier 3	Tier 3 Weighting
Services	40%	Delivery against Outcomes Framework	20%	Outcome Focussed Delivery	5%
				Service Development Plan	5%
				Annual Marketing Plan	3%
				Participation Targets	4%
				Innovation	3%
		Quality and Customer care	5%	Quest Accreditation	2.5%
				Customer Care	2.5%
		Operational Delivery and Service Development	15%	Pricing Requirements	1%
				Opening Hours	1%
				Programming	3%
				Mobilisation and TUPE	1%
				Staffing	2%
				Health and Safety Management	2%
				Equipment	1%
				Routine and Reactive Cleaning	1%

				Environmental and Energy Management	2%
				Catering and Vending	1%
Technical	10%	Capital Development & Design	5%	Development Opportunities	2%
		Planning Risk	2%	Design and Proposals	3%
		Maintenance Proposals	3%		
Commercial	50%	Relative NPV	25%		
		Gain Share	5%		
		Qualitative Assessment of Business Plan	15%		
		Contract Acceptance	5%		

2.5 Scoring was made using the following criteria:

Score	Criteria for Awarding Score
0	Completely Unsatisfactory/unacceptable response - No response to the question or serious deficiencies in meeting the required standards
1	Poor response - The response is partially compliant with some shortfalls in meeting the required standards
2	Acceptable Response - The response is compliant and meets the basic contract standards. Any concerns are only of a minor nature.
3	Good Response - The response is fully compliant and clearly indicates a full understanding of the contract and ability to consistently deliver all required contract standards.
4	Excellent Response - The response is fully compliant and indicates the ability to exceed the required standards of the contract.

2.6 Responses to the Health, Social and Community Outcomes required by the all member workshop on 3rd April have formed part of the bidder's quality submissions and can be found at **Annex A (confidential)**.

DELIVERY OF SERVICE OUTCOMES (TECHNICAL CAPACITY)

2.7 This aspect formed 40% of the overall evaluation and bidders had to submit method statements setting out in detail how they would meet the requirements of the draft services specification that the council had issued. These method statements cover the following areas: Outcomes, Pricing Requirements, Opening Hours, Programming, Health and Safety Management, Marketing, Equipment, Staffing, Catering and Vending, Routine and Reactive Cleaning, Environmental Management, Customer Care, Reporting, Quest Accreditation, Participation Targets, Mobilisation and TUPE and Innovation.

TECHNICAL AND COST

- 2.8 This aspect formed 10% of the overall evaluation and bidders had to submit method statements setting out in detail how they would meet the facility requirements and design proposals for the new Coalville Leisure Centre and also their proposals for investment in Hood Park Leisure Centre. Their proposals set out their design and approach to planning, together with their approach to maintenance throughout the life of the contract.

COMMERCIAL/PRICING/THE CONTRACT

- 2.9 This aspect formed 50% of the overall evaluation and bidders had to submit their pricing proposals, which included their capital requirements and future revenue projections as well as their gain share proposals. This provided a Net Present Value (NPV) calculation of their financial submission for evaluation and also the business plan was assessed for its qualitative performance. They also provided commentary on the legal contract which was evaluated based on the extent that bidders had moved the risk profile away from that set out in the Sport England standard contract.

OVERALL OUTCOME OF THE EVALUATION

- 2.10 All of the bids received were of good quality, submitted by organisations with significant track records in the industry in both operating and developing new, relevant facilities. All bidders have presented solutions to deliver the Design, Build, Operate and Manage leisure contract in accordance with the Council's requirements which includes:
- Delivery of a new leisure centre for Coalville, which replaces Hermitage Leisure Centre and delivers the Council's core facility requirements. They have all presented additional commercial facilities for the new facility.
 - Investment in the refurbishment of Hood Park Leisure Centre to develop the activities and facilities to create a more financially sustainable facility
 - Delivery of the key outcomes in the specification which includes the development of programmes and activities to improve the health and wellbeing of the population and increased participation in sport and physical activity.

Bidder A, C and D scored significantly higher than bidder B (circa 16 -18%). Bidder A, C and D all score within 2.4% of each other. Detailed evaluations by bidder can be found at **Annex B**

3 NEXT STEPS: INVITATION TO SUBMIT FINAL TENDERS

- 3.1 Bidder A, C and D will be invited to submit final tenders and bidder B will be provided with feedback as to why they have been unsuccessful on this occasion. The detailed solution bids will be submitted to the council by mid-to-late November 2018.

4 IMPLICATIONS

4.1 Policy

This tender is consistent with the adopted council strategies namely the Council Delivery Plan and the emerging Health and Wellbeing Strategy that is currently in a draft form.

4.2 Resources and Risk

This proposed management arrangement transfers significant risk for the care, maintenance and upkeep of the facilities for a period of 25 years. With a fixed price contract (subject to indexation) the council has cost certainty within its financial planning. It should however be noted that some of the bidders are proposing benchmarking of their performance, which means there is the opportunity for the management fee to change if

performance does not meet expectations. This is an option within the Sport England model which, if properly calibrated, can allow better value because bidders do not need to price for revenue risks over 25 years (meaning the Council would pay for them whether or not the risks crystallise). However it does mean that costs could increase or reduce at five-year intervals following an independent benchmarking procedure.

4.3 Financial

The affordability of the contract clearly demonstrates that the commitment is within revenue parameters and compares favourably with the current business as usual cost of the service to the council.

4.4 Staffing

Significant advice has been obtained from Human Resources and the Council's appointed solicitors and will continue to be referred to throughout the procurement process as well as contract mobilisation and handover phases.

4.5 Property, Insurance and Capital Investment

The freehold ownership of Hood Park and Hermitage Leisure Centres as well as the new Coalville Leisure Centre will remain with the council with leases being granted accordingly. The council will retain responsibility for buildings insurance and the operator will be fully responsible for repairs and maintenance. The operator will provide for a number of fit out items including fitness equipment as set out within their method statements on equipment which follows industry norms and is what is expected from the council's brief

4.6 The prices submitted as part of the operator's wider proposals include an allowance (set by the project team) for the required infrastructure works to connect the new site with the A511, specifically a new vehicular bridge; new bell-mouth and associated adaptations as required by the Highways Authority (Leicestershire County Council); there is ongoing engagement with the Highways Authority in this regard and officers will continue to mitigate any risk associated with these works. North West Leicestershire District are currently owning this risk as it would be unreasonable to pass this on to the operators at this stage. Once further investigation and design works are undertaken the risk will be borne by the operators.

4.7 Members should also note that there are some levels differences across the site and there is the presence of overhead electricity cables and an underground drain, both of which cut diagonally across the site. The operators are incorporating measures within their proposals to address these site features and further information will be provided during the next stage of procurement.

4.8 Contract Commencement

The new management contract is due to start on 1st May 2019.

4.9 Legal

All of the facilities and services within this contractual arrangement are discretionary despite having a significant and central part to play in delivering on wellbeing outcomes within the district. The contract procurement process has followed the Public Contracts Regulations 2015 and has been advertised through the Official Journal of the European Union (OJEU) as required.